

**Columbia School District**

Financial Report  
With Supplemental Information

Year Ended June 30, 2008

<b>Independent Auditors' Report</b> .....	i-ii
<b>Management's Discussion and Analysis</b> .....	iii-viii
<b>Basic Financial Statements</b>	
District-Wide Financial Statements:	
Statement of Net Assets.....	1
Statement of Activities.....	2
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	3
Reconciliation of the Balance Sheet of Governmental Funds to Net Assets.....	4
Statement of Revenues, Expenditures and Changes in Fund Balances.....	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	6
Fiduciary Funds:	
Statement of Fiduciary Net Assets.....	7
Statement of Change in Fiduciary Net Assets.....	8
Notes to Financial Statements.....	9-18
<b>Required Supplemental Information</b>	
Budgetary Comparison Schedule - General Fund.....	19
<b>Other Supplemental Information</b>	
Combining Balance Sheet - Nonmajor Governmental Funds.....	20
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds.....	21
Schedule of Bonded Indebtedness.....	22-23
<b>Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards</b> .....	
Schedule of Findings and Responses.....	24-25
	26



## Independent Auditors' Report

Board of Education  
Columbia School District  
Brooklyn, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Columbia School District, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Columbia School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Columbia School District as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 20, 2008, on our consideration of the School District's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Board of Education  
Columbia School District

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Columbia School District's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



Willis & Jurasek, P.C.

October 20, 2008

**Columbia School District**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2008**

Columbia School District is a K-12 school district located in Brooklyn, Michigan (covering portions of Jackson, Hillsdale, Lenawee and Washtenaw Counties). As administration of Columbia School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008.

**Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$3,952,835 (net assets). Of this amount, \$595,802 (unrestricted net assets) may be used to meet the District's ongoing obligations to taxpayers, students, and creditors.
- The District's total net assets increased by \$646,803. The increase represents management's control over expenses through their budgetary process.
- As of the close of the current fiscal year, the District's aggregated fund balance for the District's governmental funds was \$1,137,892 or 7.40 percent of the total expenditures of these funds
- The General Fund had a net change in fund balance of \$283,009. At the end of the year, the total fund balance for the general fund was \$859,574 or 6.14 percent of the total General Fund expenditures and outgoing transfers.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District financially as a whole. The District-Wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the School District's most significant fund – the General Fund.

**Reporting the District as a Whole**

**The Statement of Net Assets and Statement of Activities** – One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the School District's financial statements, report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by private-sector corporations. However, the School District's goal is to provide services to our students, not to generate profits, as private-sector corporations do. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The Statement of Net Assets and Statement of Activities present information about the following:

**Governmental Activities** – All of the District's basic services are considered to be governmental activities, including instruction, support services, community services, athletics, food services, and transfers to other local districts. Property taxes, intergovernmental revenues, (unrestricted and restricted State Aid), and charges for services finance most of these activities.

**Columbia School District**  
Management's Discussion and Analysis  
Year Ended June 30, 2008

These two statements report the District's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, political conditions at the State Capitol, student enrollment growth, birth rates, and facility conditions in arriving at their conclusion regarding the overall health of the District.

The district-wide financial statements can be found on pages 1- 2 of this report

**Reporting the District's Most Significant Funds**

**Fund Financial Statements** – The fund financial statements provide detailed information about the most significant funds – not the District as a whole. The fund financial statements begin on page 3 and provide detailed information about the most significant funds. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." The District's two types of funds, governmental funds and fiduciary funds use different accounting approaches as further discussed in the notes to the financial statements.

In the fund financial statements, capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

**Governmental Funds** – Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

**Fiduciary Funds** – The District is the fiduciary for various student group activities and a scholarship fund. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

The basic fiduciary fund financial statements can be found on pages 7 and 8 of this report.

**Additional Information** – The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9 – 18 of this report.

**Columbia School District**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2008**

**Government-Wide Financial Analysis**

The government-wide financial analysis focuses on the net assets and changes in net assets of the District's governmental activities. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

The following is a summary of the School District's net assets as of June 30, 2008 and 2007:

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
Current assets	\$ 2,559,250	\$ 2,478,430
Non-current assets	<u>8,161,478</u>	<u>8,601,396</u>
Total assets	<u>10,720,728</u>	<u>10,979,826</u>
Current liabilities	2,222,633	2,375,534
Non-current liabilities	<u>4,545,260</u>	<u>5,298,260</u>
Total liabilities	<u>6,767,893</u>	<u>7,673,794</u>
Net assets:		
Invested in capital assets – net of related debt	3,185,918	2,850,836
Restricted	171,115	163,526
Unrestricted	<u>595,802</u>	<u>291,670</u>
Total net assets	<u>\$ 3,952,835</u>	<u>\$ 3,306,032</u>

The above analysis focuses on the net assets. The change in net assets of the School District's governmental activities is discussed below. The net assets differ from fund balances and a reconciliation appears on page 4.

By far the largest portion of the District's net assets reflects its investment in capital assets (i.e. land, buildings, vehicles, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets of \$171,115 represent resources that are subject to external restrictions on how they may be used. In the case of the School District, these included amounts restricted for debt service. The remaining balance of \$595,802, which is *unrestricted* net assets, may be used to meet the District's ongoing obligations to citizens and creditors.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities which shows the changes in net assets for fiscal year 2008.

**Columbia School District**  
Management's Discussion and Analysis  
Year Ended June 30, 2008

The following is a summary of the change in net assets for the years ended June 30, 2008 and 2007.

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
Revenues:		
Program revenues:		
Charges for services	\$ 626,686	\$ 609,208
Operating grants	1,703,179	1,579,983
General revenues:		
Property taxes – general purposes	4,144,858	3,833,983
Property taxes – debt service	799,472	866,361
Grants and state aid	8,215,192	8,695,245
Other	204,713	178,809
Total revenues	<u>15,694,100</u>	<u>15,763,589</u>
Functions/Program Expenses:		
Instruction	8,308,581	8,706,367
Support services	5,122,758	5,096,362
Community services	357,483	318,960
Food service activities	523,720	513,989
Athletic activities	275,875	275,594
Other	0	0
Interest	237,641	259,438
Depreciation (unallocated)	<u>221,239</u>	<u>214,626</u>
Total expenses	<u>15,047,297</u>	<u>15,385,336</u>
Increase in net assets	<u>\$ 646,803</u>	<u>\$ 378,253</u>

The District's net assets increased by \$646,803 during the current fiscal year. The increase in net assets differs from the change in fund balances and a reconciliation appears on page 6.

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State Aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

**General Fund Budgeting and Operating Highlights**

The School District's budgets are prepared according to Michigan Law. The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The most significant budgeted funds are the General Fund and the nonmajor governmental funds for Food Service and Athletics.

As a matter of practice, the District amends its budget formally in October and again in June. However, during the course of the year, the Board of Education is apprised as to any significant factors contributing to a change from the adopted budget. The June 2008 budget amendment was the final budget for the fiscal year. A schedule showing the School District's General Fund original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

The General Fund actual revenue and other financing sources was \$14,283,285. That amount is below the amended budget estimate of \$14,820,263. The \$536,978 variance (3.6%) was due in part to less than projected students in the blended State aid calculation.



**Columbia School District**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2008**

The actual expenditures and other financing uses of the General Fund were \$14,000,276, which is below the amended budget estimate of \$14,896,297. The \$896,021 variance (6.02%) was due in part to spending cuts implemented in the last part of the school year.

The General Fund had total revenues of \$14,283,285 and total expenditures and transfers out of \$14,896,297 with a net change in fund balance of \$283,009 and an ending fund balance of \$859,574. The current year net change was due to a variety of budget adjustments including more employees (administrators) on Contract Ed; retired teachers weren't replaced; cautious spending in all departments; plus major replacement and purchase of new equipment was deferred until the financial climate improves.

**Capital Asset and Debt Administration**

**Capital Assets** – At the end of the fiscal year 2008, the School District had \$15,672,853 invested in land and buildings, furniture and equipment, vehicles and buses. Of this amount, \$7,511,375 in depreciation has been taken over the years. We currently have a net book value of \$8,161,478.

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
Land	\$ 23,700	\$ 23,700
Buildings and improvements	13,857,931	13,857,931
Furniture and equipment	844,185	844,185
Buses	<u>947,037</u>	<u>947,037</u>
Total capital assets	15,672,853	15,672,853
Less accumulated depreciation	<u>7,511,375</u>	<u>7,171,457</u>
Net capital assets	<u>\$ 8,161,478</u>	<u>\$ 8,501,396</u>

There were no major capital asset events during the current fiscal year.

**Long-Term Debt** – At June 30, 2008, the District had total bonded debt and loans outstanding of \$4,975,560, of which \$80,560 is Durant Resolution Bonds that are a legal obligation of the School District, but an annual State of Michigan appropriation is the only revenue source making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the District is under no obligation for payment.

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
1998 Debt Fund Bonds	\$ 3,535,000	\$ 4,035,000
2002 Debt Fund Bonds	360,000	480,000
2005 Energy Bonds	1,000,000	1,055,000
Durant Resolution Bonds	80,560	80,560
Installment purchase agreements	-	-
Total	<u>\$ 4,975,560</u>	<u>\$ 5,650,560</u>

The District's bonded debt and loans outstanding decreased by \$675,000 during the current fiscal year. There was no new borrowing during the most recent year end.

**Columbia School District**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2008**

State statutes limit the amount of general obligation debt that a school district may issue to 15 percent of its total assessed valuation (State Equalized Value). The current outstanding general obligation debt for Columbia School District is significantly below the current debt limitation.

Additional information on the District's long-term debt can be found in Note 7 starting on page 16 of this report.

**Economic Factors and Next Year's Budgets and Rates**

On March 15, 1994, the electors of the State of Michigan approved a ballot proposition to amend the State Constitution of 1963, in part, to increase the State sales tax from 4% to 6% as part of a complex plan to restructure the source of funding of public education (K-12) in order to reduce reliance on local property taxes for school operating purposes and to equalize the per pupil finance resource disparities among school districts. The State Aid package passed by the Legislature as part of the school finance reform legislation instituted a per pupil foundation guarantee beginning in fiscal year 1994-1995. The Legislature has appropriated funds to establish a foundation guarantee in 2005-2006 of \$6,875 per pupil for Columbia School District, based upon the District's 1993-1994 revenue. In following years, the foundation guarantee may be adjusted by an index based upon the change in revenues to the State School Aid Fund and change in the total number of pupils statewide, and the spread between the high and low pupil guarantee will be reduced. The foundation guarantee consists of the locally raised property taxes plus State Aid. The source of revenues for the State's contribution to the foundation allowance is derived from a mix of taxing sources, including but not limited to, a statewide property tax of six mills on all property (homestead and non-homestead) (reduced to five mills in 2003 only), a State sales and use tax, a real estate transfer tax and a cigarette tax. Given the uncertain financial climate in the State, our State Aid payments could be reduced during the year if the State does not receive enough revenue to support enacted State School Aid budgets, which has happened in the past.

The following factors were considered in preparing the District's budgets for the 2008-2009 fiscal year:

- Foundation allowance of \$7,150 per pupil
- Student enrollment projected at 1,723 students
- State aid membership based on a 75/25 percent blended count
- Increases in negotiated salaries of 2.5% and support staff of 2%
- Increases in health insurance of approximately 8%
- Decreases in retirement costs from 16.72% to 16.54% of payroll costs
- Staff reduction and realignment of staff assignments
- More administrators on Contract Ed (all but two) which will be added savings
- Most substitute teachers and support staff are on contracted services with PCMI
- Due to budget cuts by the State, across the board cuts have been made in areas of purchasing supplies, conference attendance, field trips and after-school activities
- A freeze instituted on all unnecessary spending

**Requests for Information**

This financial report is designed to provide a general overview of the Columbia School District finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Mr. Brent Beamish, Superintendent  
Columbia School District  
11775 Hewitt Road  
Brooklyn, Michigan 49230

Phone (517) 592-6641  
Fax (517) 592-4111  
E-mail beamish@myeagles.org.

**Columbia School District**  
**Statement of Net Assets**  
June 30, 2008

	<u>Governmental Activities</u>
<b>Assets:</b>	
Cash and investments	\$ 888,358
Receivables:	
Accounts receivable	9,910
Due from other governmental units	1,641,926
Inventories	19,056
Capital assets less accumulated depreciation of \$7,511,375	<u>8,161,478</u>
Total assets	<u>10,720,728</u>
<b>Liabilities:</b>	
Accounts payable	84,161
Accrued payroll	876,176
Other liabilities	461,021
Accrued interest	34,675
Long-term liabilities:	
Bonds payable, due within one year	733,000
Other obligations, due within one year	33,600
Bonds payable, due in more than one year	4,242,560
Other obligations, due in more than one year	<u>302,700</u>
Total liabilities	<u>6,767,893</u>
<b>Net Assets:</b>	
Investment in capital assets - net of related debt	3,185,918
Restricted for debt service	171,115
Unrestricted	<u>595,802</u>
Total net assets	<u>\$ 3,952,835</u>

**Columbia School District**  
**Statement of Activities**  
**Year Ended June 30, 2008**

Functions/Programs	Program Revenues			Governmental
	Expenses	Charges for Services	Operating Grants/Contributions	Activities
				Net (Expense) Revenue and Changes in Net Assets
<b>Primary Government</b>				
Governmental activities:				
Instruction	\$ 8,308,581	\$ -	\$ 1,457,489	\$ (6,851,092)
Support services	5,122,758	-	-	(5,122,758)
Community services	357,483	283,791	-	(73,692)
Food service activities	523,720	277,037	245,690	(993)
Athletic activities	275,875	65,858	-	(210,017)
Interest on long-term debt	237,641	-	-	(237,641)
Depreciation (unallocated)	221,239	-	-	(221,239)
<b>Total governmental activities</b>	<b>\$ 15,047,297</b>	<b>\$ 626,686</b>	<b>\$ 1,703,179</b>	<b>(12,717,432)</b>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				4,144,858
Property taxes, levied for debt services				799,472
State aid not restricted to specific purposes				8,215,192
Interest and investment earnings				74,025
Other				<u>130,688</u>
Total general revenues				<u>13,364,235</u>
<b>Change in Net Assets</b>				<b>646,803</b>
<b>Net Assets - Beginning of Year</b>				<b><u>3,306,032</u></b>
<b>Net Assets - End of Year</b>				<b><u>\$ 3,952,835</u></b>

Columbia School District  
Balance Sheet  
Governmental Funds  
June 30, 2008

	Other Nonmajor Governmental		
	General	Funds	Total
<u>Assets</u>			
Cash and investments	\$ 633,578	\$ 254,780	\$ 888,358
Receivables:			
Accounts receivable	-	9,910	9,910
Due from other governmental units	1,641,926	-	1,641,926
Inventories	-	19,056	19,056
Total assets	<u>\$ 2,275,504</u>	<u>\$ 283,746</u>	<u>\$ 2,559,250</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 84,161	\$ -	\$ 84,161
Salaries payable	870,748	5,428	876,176
Accrued expenditures	<u>461,021</u>	<u>-</u>	<u>461,021</u>
Total liabilities	<u>1,415,930</u>	<u>5,428</u>	<u>1,421,358</u>
Fund Balances:			
Reserved for inventories	-	19,056	19,056
Reserved for debt service	-	205,790	205,790
Unreserved: undesignated	<u>859,574</u>	<u>53,472</u>	<u>913,046</u>
Total fund balances	<u>859,574</u>	<u>278,318</u>	<u>1,137,892</u>
Total liabilities and fund balances	<u>\$ 2,275,504</u>	<u>\$ 283,746</u>	<u>\$ 2,559,250</u>

**Columbia Community Schools**  
Reconciliation of the Balance Sheet of Governmental Funds to Net Assets  
Governmental Funds  
June 30, 2008

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 1,137,892</b>
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is	\$ 15,672,853
Accumulated depreciation is	<u>(7,511,375)</u>
	8,161,478
Long-term liabilities not due and payable in the current period and not reported in the funds:	
Bonds payable	(4,975,560)
Compensated absences	(336,300)
Accrued interest payable is not included as a liability in governmental activities.	<u>(34,675)</u>
<b>Total Net Assets - Governmental Activities</b>	<b><u>\$ 3,952,835</u></b>

See Notes to Financial Statements.

**Columbia School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2008**

	<b>General</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Total</b>
<b>Revenues:</b>			
Local sources	\$ 4,610,604	\$ 1,165,125	\$ 5,775,729
State sources	8,851,804	24,640	8,876,444
Federal sources	211,116	221,050	432,166
Other	<u>609,761</u>	<u>-</u>	<u>609,761</u>
Total revenues	<u>14,283,285</u>	<u>1,410,815</u>	<u>15,694,100</u>
<b>Expenditures:</b>			
Instruction	8,279,388	-	8,279,388
Support services	5,058,277	-	5,058,277
Community services	354,678	-	354,678
Athletics	-	275,875	275,875
Food service	-	523,720	523,720
Debt service	<u>98,000</u>	<u>819,284</u>	<u>917,284</u>
Total expenditures	<u>13,790,343</u>	<u>1,618,879</u>	<u>15,409,222</u>
<b>Revenues Over (Under) Expenditures</b>	<u>492,942</u>	<u>(208,064)</u>	<u>284,878</u>
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	-	209,933	209,933
Operating transfers out	<u>(209,933)</u>	<u>-</u>	<u>(209,933)</u>
Total other financing sources (uses)	<u>(209,933)</u>	<u>209,933</u>	<u>-</u>
<b>Net Changes in Fund Balances</b>	283,009	1,869	284,878
<b>Fund Balances - Beginning of Year</b>	<u>576,565</u>	<u>278,449</u>	<u>853,014</u>
<b>Fund Balances - End of Year</b>	<u>\$ 859,574</u>	<u>\$ 278,318</u>	<u>\$ 1,137,892</u>

See Notes to Financial Statements.

**Columbia School District**  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Governmental Funds  
Year Ended June 30, 2008

**Net Change in Fund Balances - Total Governmental Funds** **\$ 284,878**

Amounts reported for governmental activities in the Statement  
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the  
Statement of Activities, these costs are allocated over their estimated  
useful lives as depreciation.

Depreciation expense	\$ (339,918)	
Capital outlay	<u>-</u>	
		(339,918)

Accrued interest is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid.		4,643
--	--	-------

Bond proceeds are reported as financing sources in governmental funds  
and thus contribute to the change in fund balance. In the Statement of Net  
Assets, however, issuing debt increases long-term liabilities and does not  
affect the Statement of Activities. Similarly, repayment of principal is an  
expenditure in the governmental funds but reduces the liability in the  
Statement of Net Assets.

Borrowings	-	
Principal repayments	<u>675,000</u>	
		675,000

Decreases in compensated absences are not reported in governmental funds.		<u>22,200</u>
--	--	---------------

**Change in Net Assets of Governmental Activities** **\$ 646,803**



**Columbia School District**  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2008

	<u>Agency Fund - Student Activities</u>	<u>Trust Fund - Disbrow Scholarship</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 214,494	\$ 38,268
Total assets	<u>214,494</u>	<u>38,268</u>
<b>Liabilities:</b>		
Due to student groups	<u>214,494</u>	<u>-</u>
Total liabilities	<u>\$ 214,494</u>	<u>-</u>
<b>Net Assets:</b>		
Restricted for special purposes		<u>38,268</u>
Total Net Assets		<u>\$ 38,268</u>

**Columbia School District**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year Ended June 30, 2008**

	<b>Trust Fund - Disbrow Scholarship Funds</b>
<b>Additions:</b>	
Gifts and contributions	\$ 39,768
Total additions	<u>39,768</u>
 <b>Deductions:</b>	
Scholarships awarded	<u>1,500</u>
Total deductions	<u>1,500</u>
 <b>Change in Net Assets</b>	 38,268
 <b>Net Assets - Beginning of Year</b>	 <u>-</u>
 <b>Net Assets - End of Year</b>	 <u>\$ 38,268</u>

**Columbia School District**  
**Notes to Financial Statements**

**Note 1 – Summary of Significant Accounting Policies**

The basic financial statements of Columbia School District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the School District.

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the District does not contain any component units.

**District-Wide and Fund Financial Statements**

The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**District-Wide Statements** – The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Columbia School District**  
**Notes to Financial Statements**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**District-Wide Statements (Continued)** - As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

**Fund-Based Statements** – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, severance pay, claims, and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

**General Fund** – The General Fund is the School District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

**Special Revenue Funds** – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. Special Revenue Funds maintained by the District are the Athletics Fund and the Food Service Fund.

**Debt Funds** – Debt Funds are used to record tax, interest, and other revenue for payment of principal and other expenditures and the disbursements thereof on a particular bond issue. The District maintains the 2002 Debt, the 1998 Debt and the Durant Debt Funds.

**Columbia School District**  
**Notes to Financial Statements**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**Fiduciary Funds** – Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the district-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school-related purposes. The funds are segregated and held in trust for the students and parents. The District also maintains the Disbrow Scholarship Fund to record the segregated monies restricted for scholarships and the related transactions for distributions of awards.

**Assets, Liabilities, and Net Assets or Equity**

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**Property Taxes**

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

General Fund – Non-homestead	18.000 mills
Debt Funds – Homestead and Non-homestead	1.4 mills

**Columbia School District**  
**Notes to Financial Statements**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. The District has determined the uncollectible amounts are immaterial and no provision has been recorded.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a State-wide formula. The foundation allowance is funded from a combination of State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with State law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**Inventories and Prepaid Items** – Inventories are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of \$5,000 or greater and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 50 years
Buses and other vehicles	10 years
Furniture and equipment	7 -10 years

**Compensated Absences** - The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**Columbia School District**  
**Notes to Financial Statements**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Long-Term Obligations** – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Comparative Data/Reclassifications** – Comparative data is not included in the District's financial statements except for comparative General Fund Balance Sheets and Statement of Revenues, Expenditures and Changes in Fund Balances provided in the Other Supplemental Information.

**Use of Estimates** – The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Note 2 – Stewardship, Compliance, and Accountability**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriations lapse at fiscal year-end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the *Uniform Budgeting and Accounting Act* (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations for the General Fund, if any, are noted in the required supplementary information section.

**Columbia School District**  
Notes to Financial Statements

**Note 2 – Stewardship, Compliance, and Accountability (Continued)**

4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2008. The District does not consider these amendments to be significant.

**Note 3 – Deposits and Investments**

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories.

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	<u>\$888,358</u>	<u>\$252,762</u>	<u>\$ 1,141,120</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 477,072
Investments in bank school cash investment fund	<u>664,048</u>
Total	<u>\$1,141,120</u>

**Investment and Deposit Risk**

**Interest Rate Risk** – State law limits the allowable investments and the maturities of some of the allowable investments. The School's investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment in the bank school cash investment fund had an average maturity of less than one year.

**Credit Risk** – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. The School's investments policy does not have specific limits in excess of State law on investment credit risk. The District's investment in the bank school cash investment fund was rated A-1 by Standard & Poor's, F-1 by Fitch Ratings and P-1 by Moody's Investors Service.

**Custodial Credit Risk – Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned. The School has not adopted and State law does not require a policy for deposit custodial credit risk. As of year-end, \$557,120 of the School's bank balance of \$858,120 was exposed to custodial credit risk because it was uninsured and uncollateralized.



**Columbia School District**  
Notes to Financial Statements

**Note 4 – Capital Assets**

Capital asset activity of the School District's governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Year-End Balance</u>
Assets not being depreciated – land	\$ <u>23,700</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>23,700</u>
Capital assets being depreciated:				
Buildings and improvements	13,857,931	-	-	13,857,931
Buses and other vehicles	947,037	-	-	947,037
Furniture and equipment	<u>844,185</u>	<u>-</u>	<u>-</u>	<u>844,185</u>
Subtotal	<u>15,649,153</u>	<u>-</u>	<u>-</u>	<u>15,649,153</u>
Accumulated depreciation:				
Buildings and improvements	5,847,339	276,160	-	6,123,499
Buses and other vehicles	865,707	29,630	-	895,337
Furniture and equipment	<u>458,411</u>	<u>34,128</u>	<u>-</u>	<u>492,539</u>
Subtotal	<u>7,171,457</u>	<u>339,918</u>	<u>-</u>	<u>7,511,375</u>
Net capital assets being depreciated	<u>8,477,696</u>	<u>(339,918)</u>	<u>-</u>	<u>8,137,778</u>
Net capital assets	\$ <u>8,501,396</u>	\$ <u>(339,918)</u>	\$ <u>-</u>	\$ <u>8,161,478</u>

Depreciation expense was charged to activities of the School District as follows:

**Governmental Activities**

Instruction	\$ 42,293
Support services	73,581
Community services	2,805
Unallocated	<u>221,239</u>
	\$ <u>339,918</u>

**Note 5 – Receivables**

Receivables at June 30, 2008, consist of the following:

Other governmental units (primarily Michigan Department of Education)	\$1,641,926
Other	<u>9,910</u>
	<u>\$1,651,836</u>

**Columbia School District**  
Notes to Financial Statements

**Note 6 – Interfund Receivables, Payables, and Transfers**

**Interfund Transfers:**

During the current fiscal year, the General Fund transferred \$209,933 to the Athletics Fund to help subsidize the year's athletic activities.

**Note 7 – Long-Term Debt**

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include installment purchase agreements and compensated absences.

Long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
General obligation bonds	\$5,570,000	\$ -	\$675,000	\$4,895,000	\$ 725,000
Durant debt	80,560	-	-	80,560	8,000
Compensated absences	<u>358,500</u>	<u>-</u>	<u>22,200</u>	<u>336,300</u>	<u>33,600</u>
Total governmental activities	<u>\$6,009,060</u>	<u>\$ -</u>	<u>\$697,200</u>	<u>\$5,311,860</u>	<u>\$766,600</u>

Annual debt service requirements to maturity on the above governmental obligations are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 733,000	\$ 210,037	\$ 943,037
2010	777,547	179,352	956,899
2011	793,333	146,440	939,773
2012	673,729	112,759	786,488
2013	717,951	99,545	817,496
2014-2018	1,000,000	134,913	1,134,913
2019-2021	<u>280,000</u>	<u>23,871</u>	<u>303,871</u>
Total	<u>\$4,975,560</u>	<u>\$ 906,917</u>	<u>\$5,882,477</u>

**Columbia School District**  
**Notes to Financial Statements**

**Note 7 – Long-Term Debt (Continued)**

General obligation bonds and loans consist of:

\$1,110,000 serial bonds due in annual installments of \$55,000 to \$95,000 through May 1, 2021, interest at 3.9% to 4.25%	\$1,000,000
\$6,845,000 serial bonds due in annual installments of \$500,000 to \$600,000 through May 1, 2014, interest at 5.250%	3,535,000
\$1,500,000 serial bonds due in annual installments of \$120,000 through May 1, 2011; interest at 3.45% to 3.75%	360,000
\$136,436 Durant Non-Plaintiff serial bonds due in annual installments of \$7,593 to \$47,950 through May 15, 2013, interest at 4.70%	<u>80,560</u>
Total bonded debt	<u>\$4,975,560</u>

**Durant Non-Plaintiff Bond** – Included in Governmental Activities General Obligation Bonds is the Durant Non-Plaintiff Bond. Annual total payments (principal and interest) of \$9,580 to \$64,372 associated with this bond are funded by the State of Michigan via specifically appropriated State Aid and will not require any District debt levy or utilization of any other District financial resources.

**Note 8 – Federal and State Grants**

The District has received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

**Note 9 – Risk Management**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

**Note 10 – Line of Credit**

The District had available a revolving line of credit agreement to meet temporary cash flow requirements. The agreement is in the amount of \$300,000 with a maturity date of August 20, 2008. No amounts were borrowed on this line.

**Columbia School District**  
**Notes to Financial Statements**

**Note 11 – Defined Benefit Pension Plan and Post-Employment Benefits**

**Plan Description** – The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit pension plan administered by the nine-member board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operates under the provisions of Public Act 300 of 1980, as amended. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to Michigan Public School Employees' Retirement System, P.O. Box 30026, Lansing, MI 48909 or by calling (517) 322-6000.

**Funding Policy** – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 and December 31, 1989 contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000, and 4.35% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1<sup>st</sup> on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, in any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 17.74 percent for the period from July 1, 2007 through September 30, 2007, and 16.67 percent effective October 1, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The School District's contributions to the MPERS plan for the years ended June 30, 2008, 2007, and 2006 were approximately \$1,332,000, \$1,430,000, and \$1,289,000, respectively.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

**Post-Employment Benefits** – Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental, and vision coverages. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPERS plan discussed above.

### **Required Supplemental Information**

**Columbia School District**  
 Budgetary Comparison Schedule - General Fund  
 Year Ended June 30, 2008

	<b>Budgeted Amounts</b>		
	<b>Original</b>	<b>Final</b>	<b>Actual</b>
<b>Revenues:</b>			
Local sources	\$ 4,528,992	\$ 4,875,750	\$ 4,610,604
State sources	8,861,780	8,911,620	8,851,804
Federal sources	262,726	262,726	211,116
Interdistrict and other	718,275	770,167	609,761
Total revenues	<u>14,371,773</u>	<u>14,820,263</u>	<u>14,283,285</u>
<b>Expenditures:</b>			
Instruction:			
Basic programs	6,878,269	6,878,269	6,858,114
Added needs	1,344,451	1,463,038	1,281,639
Adult/continuing education	162,409	162,409	139,635
Support services:			
Pupil	464,187	464,187	455,971
Instructional staff	597,295	597,895	533,272
General administration	392,821	392,221	358,384
School administration	888,743	888,743	850,537
Business	368,247	271,529	300,525
Operation & maintenance	1,774,611	1,774,611	1,494,750
Pupil transportation	877,827	877,827	756,526
Central support staff	324,207	345,736	307,312
Other	29,835	79,695	1,000
Community services	476,025	329,319	354,678
Debt service	98,018	98,018	98,000
Total expenditures	<u>14,676,945</u>	<u>14,623,497</u>	<u>13,790,343</u>
<b>Revenues Over (Under) Expenditures</b>	(305,172)	196,766	492,942
<b>Other Financing Sources (Uses):</b>			
Operating transfers out	(219,352)	(272,800)	(209,933)
Total other financing sources (uses)	<u>(219,352)</u>	<u>(272,800)</u>	<u>(209,933)</u>
<b>Net Changes in Fund Balances</b>	(524,524)	(76,034)	283,009
<b>Fund Balances - Beginning of Year</b>	<u>576,565</u>	<u>576,565</u>	<u>576,565</u>
<b>Fund Balances - End of Year</b>	<u>\$ 52,041</u>	<u>\$ 500,531</u>	<u>\$ 859,574</u>

### **Other Supplemental Information**





**Columbia School District**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2008**

	<u>Special Revenue Funds</u>			<u>Debt Service Funds</u>		
	<u>Athletics</u>	<u>Food Service</u>	<u>Durant</u>	<u>1998</u>	<u>2002</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Debt Fund</u>	<u>Debt Fund</u>	<u>Debt Fund</u>	<u>Totals</u>
<b>Revenues:</b>						
Local sources	\$ 65,858	\$ 277,037	\$ -	\$ 680,755	\$ 141,475	\$ 1,165,125
State sources	-	24,640	-	-	-	24,640
Federal sources	-	221,050	-	-	-	221,050
Total revenues	<u>65,858</u>	<u>522,727</u>	<u>-</u>	<u>680,755</u>	<u>141,475</u>	<u>1,410,815</u>
<b>Expenditures:</b>						
Salaries	119,344	178,114	-	-	-	297,458
Employee benefits	25,488	49,458	-	-	-	74,944
Purchased services	88,753	-	-	-	-	88,753
Supplies and materials	17,933	244,471	-	-	-	262,404
Capital outlay	-	5,395	-	-	-	5,395
Debt service	-	-	-	681,176	138,108	819,284
Other	24,359	46,282	-	-	-	70,641
Total expenditures	<u>275,875</u>	<u>523,720</u>	<u>-</u>	<u>681,176</u>	<u>138,108</u>	<u>1,618,879</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(210,017)</u>	<u>(993)</u>	<u>-</u>	<u>(421)</u>	<u>3,367</u>	<u>(208,064)</u>
<b>Other Financing Sources (Uses):</b>						
Operating transfers in	209,933	-	-	-	-	209,933
Total other financing sources (uses)	<u>209,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>209,933</u>
<b>Net Changes in Fund Balances</b>	<u>(84)</u>	<u>(993)</u>	<u>-</u>	<u>(421)</u>	<u>3,367</u>	<u>1,869</u>
<b>Fund Balances - Beginning of Year</b>	<u>324</u>	<u>73,281</u>	<u>-</u>	<u>154,432</u>	<u>38,412</u>	<u>276,449</u>
<b>Fund Balances - End of Year</b>	<u>\$ 240</u>	<u>\$ 72,288</u>	<u>\$ -</u>	<u>\$ 154,011</u>	<u>\$ 41,779</u>	<u>\$ 278,318</u>

**Columbia School District**  
Schedule of Bonded Indebtedness  
June 30, 2008

2005 Energy Bonds	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	Fiscal Year Interest Requirements	Fiscal Year Principal Requirements	Bonds Outstanding June 30, 2008
	August 1, 2005	\$ 1,110,000	3.900%	5/1/2009	40,373	60,000	60,000
			3.900%	5/1/2010	38,033	60,000	60,000
			3.900%	5/1/2011	35,693	65,000	65,000
			3.900%	5/1/2012	33,158	65,000	65,000
			3.900%	5/1/2013	30,623	70,000	70,000
			4.000%	5/1/2014	27,893	75,000	75,000
			4.000%	5/1/2015	24,893	75,000	75,000
			4.000%	5/1/2016	21,893	80,000	80,000
			4.000%	5/1/2017	18,693	85,000	85,000
			4.100%	5/1/2018	15,293	85,000	85,000
			4.200%	5/1/2019	11,808	90,000	90,000
			4.200%	5/1/2020	8,028	95,000	95,000
			4.250%	5/1/2021	4,038	95,000	95,000
							<u>\$ 1,000,000</u>

1998 Building & Site Bonds	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	Fiscal Year Interest Requirements	Fiscal Year Principal Requirements	Bonds Outstanding June 30, 2008
	August 1, 1998	\$ 6,845,000	5.250%	5/1/2009	154,656	545,000	545,000
			5.250%	5/1/2010	130,813	590,000	590,000
			5.250%	5/1/2011	105,000	600,000	600,000
			5.250%	5/1/2012	78,750	600,000	600,000
			5.250%	5/1/2013	52,500	600,000	600,000
			5.250%	5/1/2014	26,250	600,000	600,000
							<u>\$ 3,535,000</u>

**Columbia School District**  
Schedule of Bonded Indebtedness  
June 30, 2008

2002 Building & Site Bonds	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	Fiscal Year Interest Requirements	Fiscal Year Principal Requirements	Bonds Outstanding June 30, 2008
	July 1, 2002	\$1,500,000	3.450%	5/1/2009	13,020	120,000	120,000
			3.650%	5/1/2010	8,880	120,000	120,000
			3.750%	5/1/2011	4,500	120,000	120,000
							<u>\$ 360,000</u>

Durant Bonds	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	Fiscal Year Interest Requirements	Fiscal Year Principal Requirements	Bonds Outstanding June 30, 2008
	September 14, 1998	\$ 136,436	4.70%	5/15/2009	1,988	7,593	7,593
			4.70%	5/15/2010	1,627	7,954	7,954
			4.70%	5/15/2011	1,248	8,333	8,333
			4.70%	5/15/2012	851	8,729	8,729
			4.70%	5/15/2013	16,422	47,951	47,951
							<u>\$ 80,560</u>



**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
With Government Auditing Standards**

Board of Education  
Columbia School District  
Brooklyn, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Columbia School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Columbia School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control over financial reporting. We consider the deficiencies described as 2008-1 and 2008-2 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

To the Board of Education  
Columbia School District  
Brooklyn, Michigan  
Page 2

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above as 2008-1, to be a material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the District in a separate letter dated October 20, 2008.

Columbia School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, others within the entity and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.  
Certified Public Accountants

October 20, 2008

To Board of Education  
Columbia School District  
Brooklyn, Michigan

## **Schedule of Findings and Responses**

### **Finding 2008-1**

Currently, the District's staff prepares the interim internal financial statements that allows for management and oversight of the District, but relies on assistance from us in preparing the year end financial statements and footnotes. The annual financial statements for the year ended June 30, 2008, required relatively few audit adjustments, most of which the staff were aware needed to be recorded. Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the year-end financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America. We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a material weakness as defined in Statement on Auditing Standard #112.

### **Client Response**

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.



October 20, 2008

Board of Education  
Columbia School District  
Brooklyn, Michigan

We have audited the financial statements of Columbia School District for the year ended June 30, 2008, and have issued our report thereon dated October 20, 2008. Professional standards require that we provide you with the following information related to our audit

**Our Responsibility under Generally Accepted Auditing Standards**

As stated in our engagement proposal, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

**Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and no other applications of existing policies were changed during the current year. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- An asset appraisal was done for the prior year ended June 30, 2004, which was used to establish the bulk of your fixed asset balances to be recorded in the Statement of Net Assets.
- Estimates have been used in calculating the liability for employee compensated absences. The estimated liability is approximately \$336,000.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the District, either individually or in the aggregate, indicate matters that could have a significant effect on the District's financial reporting process. Management has approved all adjustments.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

This information and the attached memorandum is intended solely for the use of the Board of Education and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.

**Columbia Community Schools**  
Comments and Recommendations  
Year Ended June 30, 2008

**Reclassifications**

The athletic fund and lunch fund activity is recorded in the general fund and then reclassified by the auditors at year-end. We recommend entering this activity directly into the applicable fund for a clearer picture of the various funds at interim periods.

Also, certain payments related to wages and contracted services should be allocated based upon employee status versus outside service for easier allowance of reconciliation of the wage accounts to other payroll records.

**Disbrow Scholarship Fund**

The scholarship monies distributed to the fund were given with specific restrictions as to distribution requirements. During this initial year, it was noted by the auditors that the earnings were not split according to these restrictions. As scholarship monies are awarded in the future, these restrictions should be considered.